

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

In re

PG&E CORPORATION

-and-

PACIFIC GAS AND ELECTRIC
COMPANY,

Debtors.

Case No. [3:19-cv-05257-JD](#)

**ORDER TERMINATING
ESTIMATION PROCEEDINGS**

These proceedings were instituted to estimate unliquidated claims against PG&E arising from devastating wildfires across Northern California in 2015, 2017, and 2018. The fires caused over one hundred deaths, destroyed homes and buildings, and severely burned vast tracts of land. They inflicted untold suffering on tens of thousands of California residents. The fire victims hold claims for wrongful death, personal injury, property damage, emotional distress, and punitive damages.

The bankruptcy reference was withdrawn in part to allow for an estimation of the value of these claims pursuant to 11 U.S.C. § 502(c). Dkt. No. 2. Section 502(c) permits an estimation of the probable value of unliquidated or contingent claims when a more precise determination through the normal course of litigation and trial would “unduly delay the administration of the case.” 11 U.S.C. § 502(c)(1). As this plain language indicates, the estimation process is intended to put an approximate valuation on uncertain claims as promptly as possible within the bounds of fairness and reasonableness. To that end, the Court has “broad discretion” over the methods and procedures to be used. *In re Corey*, 892 F.2d 829, 834 (9th Cir. 1989).

1 The need for an expedited estimation was particularly acute in this case to avoid further
 2 delays in compensating the fire victims, who in many cases have already waited much too long for
 3 relief. In addition, California enacted AB 1054 in July 2019 as an “urgency bill” to establish
 4 mitigation measures for future fires. To participate in a multi-billion dollar fund created by AB
 5 1054 for victims of public utility fires, PG&E must complete its restructuring by June 30, 2020.

6 Consequently, the Court’s mandate was to determine “an overall estimate” of the value of
 7 the victims’ claims “without undue delay” and “in a speedy fashion.” Dkt. No. 39 at 8:8-12. The
 8 Court filed an initial organizing order and set a two-week evidentiary hearing for February 2020.
 9 Dkt. No. 112. The Court and the parties extensively discussed the best methods of estimating the
 10 value of the victims’ claims fairly and efficiently at the hearing. The discussion coalesced on the
 11 use of settlements PG&E had agreed to in prior fires and other disasters as benchmarks for the
 12 wrongful death, personal injury, and property damages claims. *See* Dkt. No. 62; Dkt. No. 39
 13 at 31:22-34:14, 49:23-25; Dkt. No. 107 at 16:22-19:16. The parties agreed that the settlements
 14 would provide good guidelines for valuing the current claims.

15 In December 2019, the Official Committee of Tort Claimants (“TCC”), which represents
 16 the fire victims in the bankruptcy proceedings, and PG&E jointly advised the Court that they had
 17 reached a settlement “resolving all individual fire claims at issue.” Dkt. No. 264 at 1. They
 18 agreed on the establishment of a trust in the amount of \$13.5 billion for the claims, and the
 19 assignment of certain causes of action to the trust.

20 Because the settlement put a specific valuation of \$13.5 billion on the outstanding claims,
 21 the TCC and PG&E agreed that these proceedings should be terminated. At a hearing on
 22 December 17, 2019, counsel for PG&E advised the Court that “we will no longer need to have the
 23 estimation proceedings.” Dkt. No. 271 at 4:13-14. Counsel for the TCC agreed. *Id.* at 5:23. The
 24 Court proposed that even if the settlement were not approved by the bankruptcy court, it
 25 effectively mooted the need for an estimation because the parties had determined a concrete value
 26 of the claims. *Id.* at 6:21-23. Counsel for the TCC said “[t]hat’s the way we would view it,” *id.*
 27 at 6:24, and that “[i]t’s an estimate we can certainly live with and is important to live with,” *id.*
 28 at 7:13-14. Counsel for PG&E agreed that there was no reason “not to close up shop” and

1 terminate the estimation. *Id.* at 9:15-22. The Court adjourned the February 2020 hearing *sine die*.
2 The bankruptcy court approved the settlement agreement on December 19, 2019. Dkt. No. 275.

3 That was the last word in this matter until March 20, 2020, when PG&E filed a motion for
4 an order “adopting” the \$13.5 billion as “the estimated amount of the Fire Victim Claims for all
5 purposes” in the bankruptcy. Dkt. No. 286 at 1. This was a surprising development after PG&E’s
6 assurances at the December 2019 hearing that the estimation was concluded and that no further
7 action was required. The motion provoked a number of responses. Some parties saw it as an
8 opportunity to criticize the fact that approximately 50% of the \$13.5 billion trust would be funded
9 by PG&E stock. *See, e.g.*, Dkt. No. 306 at 3-4. This was contrasted unfavorably to PG&E’s all-
10 cash settlement of \$11 billion with the insurance companies in the Subrogation Claim Holders
11 group. *See* Dkt. No. 295 at 1; Dkt. No. 306 at 2-3. Other parties filed statements expressing the
12 belief that they had liquidated claims that were not within the scope of the settlement. *See, e.g.*,
13 Dkt. No. 299 at 7-9; Dkt. No. 301 at 1-2; Dkt. No. 303 at 1.

14 The Court was concerned that “adopting” the settlement amount would be inconsistent
15 with Section 502(c) and akin to rubberstamping a done deal without any meaningful review. At a
16 hearing on April 16, 2020, the Court advised the parties that since the claims had effectively been
17 liquidated, the need for an estimation had been relieved. Dkt. No. 333 at 11:4-16; 14:8-19. The
18 estimation was not a forum to review or approve the amount settled upon -- that was reserved for
19 the bankruptcy court, which approved it. To make sure that the case could be safely closed, the
20 Court expressly called for any party to identify any contingent or unliquidated claims that
21 remained to be estimated. Dkt. No. 364. No one submitted a response or indicated the need for
22 any additional estimation work to be done.

23 PG&E subsequently withdrew its motion. Dkt. No. 378 at 10. At the Court’s request, the
24 TCC and PG&E filed a joint statement detailing the arms-length negotiation of the settlement
25 agreement, and the evidence that was used in connection with that. *Id.* at 4-10. The statement
26 indicates that the \$13.5 billion agreement was reached through hard bargaining based on a panoply
27 of data, analysis, and expert opinion. *Id.*
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1 Consequently, the Court concludes that the estimation proceedings should be terminated.
2 The settlement liquidated the claims withdrawn for estimation. This proceeding is closed.

3 **IT IS SO ORDERED.**

4 Dated: June 9, 2020

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9 JAMES DONATO
10 United States District Judge
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United States District Court
Northern District of California